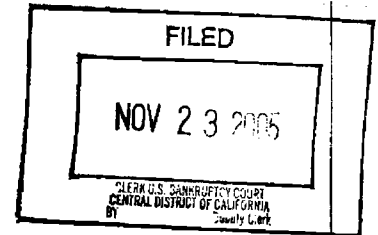




ORIGINAL



1 James C. Bastian, Jr. – Bar No. 175415  
2 Irena Leigh Norton – Bar No. 167017  
3 Manijha Kadir – Bar No. 219974  
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9 Special Counsel for Richard A. Marshack, the Chapter 7 Trustee

10  
11 **UNITED STATES BANKRUPTCY COURT**  
12 **CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION**  
13

14 **In re**  
15 **FOUR STAR FINANCIAL SERVICES,**  
16 **LLC.,**

17 **Debtor.**

18 **RICHARD A. MARSHACK, solely in his**  
19 **capacity as the Chapter 7 Trustee,**

20 **Plaintiff,**

21 **vs.,**

22 **DAVID ROBERTS, an individual,**

23 **Defendant(s).**

Case No. LA 03-37579 TD

Chapter 7

Adversary No.

**COMPLAINT FOR:**

**1. AVOIDANCE OF INTENTIONAL**  
**FRAUDULENT TRANSFERS**

**2. AVOIDANCE OF CONSTRUCTIVE**  
**FRAUDULENT TRANSFERS**

**3. RECOVERY OF AVOIDED**  
**TRANSFERS**

**4. DISALLOWANCE OF CLAIMS**

**Status Conference:**

Date: [To Be Set]

Time: [To Be Set]

Place: Courtroom 1345

Edward R. Roybal Federal

Building and Courthouse

255 East Temple Street

Los Angeles, CA 90012

1 Richard A. Marshack ("Trustee" or "Plaintiff"), solely in his capacity as the duly  
2 appointed and acting Chapter 7 Trustee for the bankruptcy estate of Four Star Financial Services,  
3 LLC ("Four Star" or "Debtor") hereby brings this Complaint and respectfully complains and  
4 alleges as follows:

5 **I. STATEMENT OF JURISDICTION AND VENUE**

6 1. This adversary proceeding is filed pursuant to Federal Rule of Bankruptcy  
7 Procedure 7001(1) (a proceeding to recover money or property).

8 2. Plaintiff, as Trustee, has standing to bring this action under 11 U.S.C. §§ 323,  
9 544, 548 and 550 and California Civil Code §§ 3439.04, 3439.05, 3439.06, 3439.07 and 3439.09.

10 3. This Court has jurisdiction over this adversary proceeding pursuant to 28 U.S.C.  
11 §§ 157 and 1334 in that this proceeding arises in and is related to the Debtor's bankruptcy case,  
12 which was commenced through the filing of an involuntary petition for relief under Chapter 11  
13 of the Bankruptcy Code against the Debtor on October 24, 2003 (the "Petition Date") in the  
14 Central District of California, Los Angeles Division.

15 4. On November 26, 2003, the court entered an Order for Relief under Chapter 11 of  
16 the Bankruptcy Code and directed that the Office of the United States Trustee appoint a Chapter  
17 11 Trustee for the Debtor's bankruptcy estate (the "Estate").

18 5. On or about December 11, 2003, the Office of the United States Trustee  
19 appointed Richard A. Marshack as the Chapter 11 Trustee for the Debtor's Estate.

20 6. Upon the Chapter 11 Trustee's Motion, and pursuant to court order entered on  
21 March 18, 2004, the Debtor's case was converted to one under Chapter 7 of the Bankruptcy  
22 Code.

23 7. Venue is proper in this District pursuant to 28 U.S.C. § 1409(a), as this adversary  
24 proceeding arises under Title 11 or arises under or relates to a case under Title 11 which is  
25 pending in this District and does not involve a consumer debt less than \$5,000.

26

27

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1           8.       This action is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (H),  
2       and to the extent any related claims are determined not to be a core proceeding, the Plaintiff  
3       consents to an entry of final judgment and orders by the Bankruptcy Court.

9. To the extent that the Plaintiff asserts claims under 11 U.S.C. § 544, the Plaintiff is informed and believes and based thereon alleges that there exists in this case one or more creditors holding unsecured claims allowable under 11 U.S.C. §502 or are not allowable under 11 U.S.C. § 502(e), who can avoid the respective transfers as set forth hereinafter under California or other applicable law.

## II. PARTIES

10           10. Plaintiff is the duly appointed Chapter 7 Trustee for the Debtor's bankruptcy  
11 estate, and brings the claims asserted herein in that capacity.

11. Plaintiff is informed and believes and thereon alleges that the Defendant, David Roberts, an individual, (the “Defendant”) conducted business with the Debtor prior to the Petition Date, specifically as a recipient of commissions and as an investor.

### III. GENERAL ALLEGATIONS.

16           12.     Effective January 1, 1997, Four Star acquired the operations of 900 Capital  
17     Services, Inc. ("900 Capital"), in order to convert the operation from a corporation to a limited  
18     liability company. The managers and principals were unchanged.

19           13.       At its inception, Four Star received “roll-over” investments from certain investors  
20 who previously invested in 900 Capital. From 1997 until late 2002, Four Star solicited and  
21 received investments through the sale of debt instruments named “Cash Flow Notes”, through  
22 the sale of limited memberships in Four Star, and through the sale of interests in individual long  
23 distance telephone call “Arbitrage Contracts”.

14. Plaintiff is informed and believes and thereon alleges that from 1992, when 900 Capital was incorporated, until the filing of an involuntary bankruptcy petition against Four Star in October 2003, 900 Capital and Four Star knowingly and intentionally devised and executed a scheme to defraud its investors, creditors and others.

1           15. As part and parcel of this scheme, Four Star obtained investors' money and  
2 property in exchange for investments in the form of notes, memberships and "Arbitrage"  
3 contracts.

4           16. The business of Four Star was to conduct a Ponzi-type scheme through which the  
5 principals and employees of Four Star made monthly payments to investors as "commissions" or  
6 "interest" on their investments using funds from more recent investors to lull investors into  
7 believing that the companies were solvent and profitable and to solicit additional investments.

8           17. Plaintiff is informed and believes and thereon alleges that Four Star made false  
9 promises to its investors about the business of Four Star and the conditions under which  
10 distributions to investors would be made. Four Star prepared and distributed to investors and  
11 others false financial statements that overstated the assets, revenues, and profits of Four Star and  
12 its predecessor, 900 Capital.

13           18. In fact, from the inception of 900 Capital, and certainly at the time of the  
14 reorganization of its operations into Four Star, the business carried millions of dollars in bad debt  
15 and operated at a loss. The company relied on incoming investment to make its monthly  
16 payments to investors. At no time was there income from its investments or operations sufficient  
17 to meet its obligations to creditors or to make monthly payments to investors or brokers for  
18 "commissions" or investment returns.

19           19. Plaintiff is informed and believes, and on that basis alleges, that Four Star did not  
20 have or maintain any telephone "Arbitrage" contracts or "Arbitrage" investments, but used the  
21 money solicited under those pretenses to pay prior investors.

22           20. Contrary to the representations contained in the Private Placement Memoranda  
23 ("PPM") with which Four Star solicited investments, Four Star did not earn sufficient returns  
24 from its factoring relationships to pay its investors pursuant to the Cash Flow Note; did not have  
25 assets in excess of its liabilities; and should not have paid millions of dollars to its management  
26 in fees. Instead, to stay in business it relied on increasing the number and amount of investments  
27 by Cash Flow Note holders.

28

1           21. Plaintiff is informed and believes, and on that basis alleges, that at all times from  
2 1995 forward, and at least from the 1997 reorganization of 900 Capital into Four Star, Four Star  
3 was insolvent. Instead Four Star relied on millions of dollars in worthless, non-performing or  
4 non-existing assets to show apparent revenues and solvency.

5           22. Four Star could only afford to make investor payments by soliciting new  
6 investments because its operating income did not cover its expenses or its obligations to  
7 investors.

8           23. In its PPM, Four Star represented that distributions of cash to members and/or  
9 investors would only be paid from "available cash from operations" and they would not be made  
10 if the company were insolvent.

11           24. In fact, Four Star was insolvent from its inception, and relied upon new investors  
12 to make the monthly payments to investors and/or members, including "commissions" and  
13 "interest" on investments.

14           25. In August 2002, however, Four Star's payments to investors ceased.

15           26. On October 23, 2003, Four Star's investors placed the company into Involuntary  
16 Bankruptcy.

17           27. Four Star never developed or acquired any substantial streams of legitimate  
18 revenue. Four Star never had revenue sufficient to meet either its total expenses or its  
19 obligations to investors standing alone. Instead, Four Star used new investor money, credit lines  
20 of its affiliated persons and entities, and other non-income sources to make regular monthly  
21 payments to existing investors to give the appearance that it was a profitable organization.

22           28. Plaintiff is informed and believes and thereon alleges that Defendant solicited and  
23 obtained additional investors on behalf of Four Star, and in furtherance of Four Star's scheme,  
24 while Defendant knew or should have known that Four Star was not a legitimate business, did  
25 not have revenues sufficient to pay any return to its investors, and that payments made by Four  
26 Star, including those characterized as "commissions", could only be derived from funds provided  
27 by the investments of new investors, including those referred to Four Star by Defendant.

28

Defendant's actions did not provide value to the Debtor, in that the solicitation and obtaining of new investors merely perpetuated the fraudulent scheme of Four Star. Defendant received "commission" payments from Four Star in the amount \$3,000, as follows (the "Commission Payments"):

Check Date	Check No.	Amount
2-29-00	7310	\$3,000
<b>TOTAL COMMISSION PAYMENTS:</b>		<b>\$3,000</b>

29. Plaintiff is informed and believes and thereon alleges that Defendant was also an investor in Four Star during the years 1997 through 2002. Unlike nearly all of Four Star's investors, who lost all or nearly all of their investments, Defendant received returns that not only completely refunded the original principal of Defendant's investment, but resulted in a net profit to Defendant of \$6,848,604. If Defendant's commissions are included as returns, the net profit is \$6,848,604.

30. Plaintiff is informed and believes and thereon alleges that Defendant, as an investor of Four Star, received the following transfers of funds from Four Star ("Investor Payments"):

Date	Ck#	Transfer
05/31/2000	1013	\$ 90
06/30/01	114868	\$ 630
06/30/01	114867	\$ 209
04/22/02	TRF	\$ 5,005,699
04/22/02	TRF	\$ 8,792
01/16/98	1151	\$ 30,000
03/15/98	1525	\$ 30,000
04/15/98	1806	\$ 30,000
07/15/98	2516	\$ 30,000
11/04/98	3357	\$ 250,000
05/07/02	118705	\$ 264,000
07/31/98	51106	\$ 3,945
08/31/98	51281	\$ 5,000
09/30/98	51463	\$ 5,000
10/31/98	51654	\$ 5,000
11/30/98	51850	\$ 658
3/31/99	52716	\$ 3,255

	Date	Ck#	Transfer
1	4/30/99	52949	\$ 4,993
2	5/31/99	53194	\$ 12,000
3	6/30/99	53442	\$ 12,000
4	7/31/99	5598	\$ 18,000
5	8/31/99	5881	\$ 18,000
6	9/30/99	6137	\$ 18,000
7	10/31/99	6311	\$ 18,000
8	11/30/99	6507	\$ 18,000
9	11/30/99	54762	\$ 15,986
10	01/01/2000	6791	\$ 18,000
11	01/01/2000	55035	\$ 15,000
12	01/31/2000	7083	\$ 4,521
13	01/31/2000	7095	\$ 18,000
14	01/31/2000	55310	\$ 15,000
15	02/29/2000	7292	\$ 27,500
16	02/29/2000	7304	\$ 18,000
17	02/29/2000	55596	\$ 15,000
18	03/31/2000	320	\$ 48,575
19	03/31/2000	332	\$ 18,000
20	03/31/2000	1206	\$ 15,000
21	04/30/2000	522	\$ 52,500
22	04/30/2000	585	\$ 18,000
23	04/30/2000	1520	\$ 15,000
24	05/31/2000	794	\$ 52,500
25	05/31/2000	761	\$ 18,000
26	05/31/2000	1830	\$ 15,000
27	06/30/2000	1185	\$ 52,500
28	06/30/2000	1204	\$ 18,000
	06/30/2000	2146	\$ 15,000
	07/31/2000	1455	\$ 52,500
	07/31/2000	1422	\$ 18,000
	07/31/2000	112459	\$ 15,000
	08/31/2000	1707	\$ 52,500
	08/31/2000	1726	\$ 18,000
	08/31/2000	112776	\$ 15,000
	09/30/2000	1976	\$ 52,500
	09/30/2000	1996	\$ 18,000
	09/30/2000	113099	\$ 15,000
	10/31/2000	2225	\$ 52,500
	10/31/2000	2244	\$ 18,000

7



	Date	Ck#	Transfer
1	10/31/2000	1113536	\$ 15,000
2	11/30/2000	112478	\$ 52,500
3	11/30/2000	112516	\$ 18,000
4	11/30/2000	1113851	\$ 15,000
5	01/01/01	112727	\$ 52,500
6	01/01/01	112764	\$ 18,000
7	01/01/01	1114165	\$ 15,000
8	01/31/01	113008	\$ 52,500
9	01/31/01	113027	\$ 18,000
10	01/31/01	1114482	\$ 15,000
11	02/28/01	113338	\$ 52,500
12	02/28/01	113376	\$ 18,000
13	02/28/01	1114809	\$ 15,000
14	03/31/01	113632	\$ 52,500
15	03/31/01	113670	\$ 18,000
16	03/31/01	1115140	\$ 15,000
17	04/30/01	113915	\$ 52,500
18	04/30/01	113953	\$ 18,000
19	04/30/01	1115517	\$ 15,000
20	05/31/01	114299	\$ 52,500
21	05/31/01	114337	\$ 18,000
22	05/31/01	1115842	\$ 7,500
23	06/30/01	114678	\$ 52,500
24	06/30/01	114644	\$ 18,000
25	06/30/01	1116174	\$ 15,000
26	07/31/01	115155	\$ 52,500
27	07/31/01	115193	\$ 18,000
28	07/31/01	1116520	\$ 15,000
	08/31/01	115500	\$ 52,500
	08/31/01	115539	\$ 18,000
	08/31/01	1116865	\$ 15,000
	09/30/01	115850	\$ 52,500
	09/30/01	115889	\$ 18,000
	09/30/01	1117217	\$ 15,000
	10/15/01	116091	\$ 175,000
	10/31/01	116349	\$ 52,500
	10/31/01	116385	\$ 18,000
	10/31/01	1117606	\$ 15,000
	11/12/01	116499	\$ 220,505
	11/30/01	116677	\$ 52,500

	Date	Ck#	Transfer
1	11/30/01	116713	\$ 18,000
2	11/30/01	1117976	\$ 15,000
3	12/27/01	117107	\$ 199,640
4	01/01/02	116895	\$ 52,500
5	01/01/02	116932	\$ 18,000
6	01/01/02	1118359	\$ 15,000
7	01/31/02	117323	\$ 52,500
8	01/31/02	117359	\$ 18,000
9	01/31/02	1118733	\$ 15,000
10	02/28/02	117858	\$ 14,795
11	02/28/02	117666	\$ 52,500
12	02/28/02	117630	\$ 18,000
13	02/28/02	1119094	\$ 15,000
14	03/31/02	118215	\$ 75,000
15	03/31/02	118026	\$ 52,500
16	03/31/02	117989	\$ 18,000
17	03/31/02	1120839	\$ 15,000
18	04/30/02	118662	\$ 37,500
19	04/30/02	118518	\$ 52,500
20	04/30/02	118482	\$ 18,000
21	04/30/02	1121206	\$ 15,000
22	05/31/02	118959	\$ 52,500
23	05/31/02	119082	\$ 18,000
24	05/31/02	1121603	\$ 15,000
25	06/30/02	119416	\$ 52,500
26	06/30/02	119452	\$ 18,000
27	06/30/02	1121993	\$ 15,000
28	07/31/02	119700	\$ 52,500
	07/31/02	119759	\$ 18,000
	07/31/02	1122386	\$ 15,000
	08/31/02	119977	\$ 52,500
	08/31/02	120000	\$ 18,000
	08/31/02	1122738	\$ 15,000
	9/24/97	8090	\$ 100,000
	02/15/98	1348	\$ 30,000
	05/15/98	2057	\$ 30,000
	06/15/98	2303	\$ 30,000
	08/15/98	2721	\$ 30,000
	09/15/98	2946	\$ 30,000
	10/15/98	3174	\$ 9,763

Date	Ck#	Transfer
08/17/01	115399	\$ 164,062
11/15/97	8386	\$ 30,000
12/15/97	8440	\$ 30,000
2/3/97	7183	\$ 2,917
3/28/97	1755	\$ 2,917
5/28/97	1908	\$ 2,917
4/28/97	7572	\$ 2,917
8/28/97	8031	\$ 2,917
7/28/97	7946	\$ 2,917
2/28/97	7322	\$ 2,917
6/27/97	7849	\$ 2,917
10/15/97	8223	\$ 30,000
05/31/2000	1831	\$ 7,151
06/30/2000	2147	\$ 7,500
07/31/2000	112460	\$ 7,500
08/31/2000	112777	\$ 7,500
09/30/2000	113100	\$ 7,500
10/31/2000	1113537	\$ 7,500
11/30/2000	1113852	\$ 7,500
01/01/01	1114166	\$ 7,500
01/31/01	1114483	\$ 7,500
02/28/01	1114810	\$ 7,500
03/31/01	1115141	\$ 7,500
04/30/01	1115518	\$ 7,500
05/31/01	1115843	\$ 7,500
<b>TOTAL TRANSFERS:</b>		<b>\$ 9,848,604</b>

31. The Commission Payments and Investor Payments shall be collectively referred to hereinafter as the "Transfers".

32. Plaintiff is informed and believes that additional transfers may have been made to the Defendant within four years of the Petition Date. Plaintiff specifically reserves the right to amend this Complaint to allege additional transfers which may become known after further investigation and discovery is conducted.

33. Plaintiff is informed and believes that the Debtor did not receive value in exchange for such Transfers.

4 [Avoidance of Intentional Fraudulent Transfers]

6           35. Plaintiff hereby incorporates by reference paragraphs 1 through 34 and realleges  
7 these paragraphs as though set forth in full.

8           36. Plaintiff is informed and believes and based thereon alleges that the Transfers  
9 were made to or for the benefit of the Defendant.

10           37. Plaintiff is informed and believes and based thereon alleges that the Transfers  
11 were for no consideration or less than reasonably equivalent value.

12           38. Plaintiff is informed and believes and based thereon alleges that the Transfers  
13 were made at a time when the Debtor was insolvent, and/or was rendered insolvent by virtue of  
14 said Transfers.

15           39. Plaintiff is informed and believes and based thereon alleges that the Transfers  
16 were made on or within four (4) years of the Petition Date, but in no event longer than seven  
17 years prior the Petition Date.

40. Plaintiff is informed and believes and based thereon alleges that the Transfers were made either in anticipation of bankruptcy and/or to prevent the Debtor from paying its debts. They were made for the purpose of preventing a prospective bankruptcy trustee and/or creditors of the Debtor from obtaining the value of the Transfers. Plaintiff is informed and believes and based thereon alleges that the Transfers were made with the actual intent to hinder, delay or defraud creditors of the Debtor and that said Defendant had knowledge of this intent by actively and knowingly participating in the sham transactions described hereinabove.

25 41. Based upon the foregoing, Plaintiff may avoid the Transfers pursuant to 11 U.S.C.  
26 §§ 544, 548 and/or California Civil Code §§ 3439.04, 3439.07, 3439.09.

**SECOND CLAIM FOR RELIEF**

**[Avoidance of Constructive Fraudulent Transfers]**

[11 U.S.C. §§ 544, 548; Cal. Civ. C. §§ 3439.04, 3439.05, 3439.07, 3439.09]

42. Plaintiff hereby incorporates by reference paragraphs 1 through 41 and realleges these paragraphs as though set forth in full.

43. Plaintiff is informed and believes and based thereon alleges that the Transfers were made to or for the benefit of the Defendant.

44. Plaintiff is informed and believes and based thereon alleges that there are present creditors of the Debtor listed at the time of the Transfers that still remain unpaid as of the Petition Date.

45. Plaintiff is informed and believes and based thereon alleges that future creditors of the Debtor existed following the Transfers who remain unpaid as of the Petition Date.

46. Plaintiff is informed and believes and based thereon alleges that the Transfers were made on or within four (4) years of the Petition Date, but in no event longer than seven years prior the Petition Date.

47. Plaintiff is informed and believes and based thereon alleges that Transfers were made:

- a. For less than reasonably equivalent value, or any value, in exchange for said Transfers;
- b. While the Debtor was engaged or was about to engage in a business or a transaction for which the remaining assets of the Debtor were unreasonably small in relation to the business or the transaction;
- c. While the Debtor intended to incur, or believed or reasonably should have believe the Debtor would incur, debts beyond the Debtor's ability to pay them as they became due; and/or
- d. By the time that the Debtor was insolvent and/or was rendered insolvent by virtue of said Transfers.

1           48. Based on the foregoing, Plaintiff may avoid the Transfers pursuant to 11 U.S.C.  
2 §§ 544, 548 and/or California Civil Code §§ 3439.04, 3439.05, 3439.07, 3439.09.

3                           **THIRD CLAIM FOR RELIEF**

4                           [Recovery of Avoided Transfers]

5                           [11 U.S.C. § 550]

6           49. Plaintiff hereby incorporates by reference paragraphs 1 through 48 and realleges  
7 these paragraphs as though set forth in full.

8           50. Plaintiff may recover for the benefit of the Estate, the Transfers or the value of  
9 such Transfers from the Defendant or from the entity or entities for whose benefit such Transfers  
10 were made, or any immediate or mediate transferee of such initial transferee.

11           51. The Transfers (including any other transfers from the Debtor to the Defendant  
12 discovered after the date of this Complaint) are recoverable from the Defendant pursuant to 11  
13 U.S.C. § 550 to the extent such Transfers are avoided.

14                           **FOURTH CLAIM FOR RELIEF**

15                           [Disallowance of Claims]

16                           [11 U.S.C. § 502(d)]

17           52. Plaintiff hereby incorporates by reference paragraphs 1 through 51 and realleges  
18 these paragraphs as though set forth in full.

19           53. Plaintiff is informed and believes and based thereon alleges that the Defendant  
20 received avoidable transfers and Defendant is the party from which such transfers are  
21 recoverable pursuant to 11 U.S.C. §550.

22           54. Defendant has not paid the amount or turned over any such property for which  
23 Defendant is liable pursuant to the Bankruptcy Code.

24           55. Pursuant to 11 U.S.C. §502(d), to the extent Defendant files a claim, such claim  
25 should be disallowed.

1           **WHEREFORE**, Plaintiff prays for Judgment against Defendant as follows:

2           1. That the Transfers identified herein are avoided as fraudulent transfers under 11  
3 U.S.C. §§ 544, 548 and/or Cal. Civ. Code §§ 3439.04, 3439.05, 3439.07, 3439.09;

4           2. That Plaintiff shall recover from the Defendant or any immediate or mediate  
5 transferee of the Defendant the Transfers and any other avoided transfers discovered after the  
6 date of this Complaint under 11 U.S.C. § 550;

7           3. That Judgment be entered against the Defendant for the value of the Transfers,  
8 together with interest thereon at the legal rate from the date of each of the Transfers;

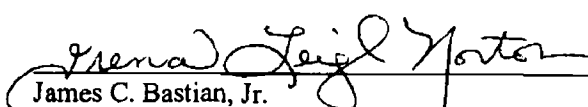
9           4. That if Defendant fails or refuses to turn over the Transfers and/or the value of  
10 such Transfers to Plaintiff, any claim of Defendant shall be disallowed;

11           5. For costs of suit incurred herein, including attorneys' fees and costs as provided  
12 by applicable case law, statute and/or agreement of the parties; and

13           6. For such other and further relief as the Court may deem just and proper under the  
14 circumstances of this case.

15  
16                                   **SHULMAN HODGES & BASTIAN LLP**

17  
18           Dated: November 23, 2005

19                                     
James C. Bastian, Jr.

Irena Leigh Norton

Manijha Kadir

Special Counsel for Richard A. Marshack, Chapter 7

Trustee for the Bankruptcy Estate of Four Star Financial  
Services

ORIGINAL

B. 104 (Rev. 8/99)		<b>ADVERSARY PROCEEDING COVER SHEET</b> (Instructions on Reverse)		ADVERSARY PROCEEDING NUMBER (Court Use Only)	
<b>PLAINTIFFS</b> RICHARD A. MARSHACK, solely in his capacity as the Chapter 7 Trustee,  Address			<b>DEFENDANTS</b> DAVID ROBERTS, an individual  Address 947 Tiverton Avenue, Los Angeles, CA 90024		
ATTORNEYS (Firm Name, Address, and Telephone Number) James C. Bastian, Jr. - Bar No. 175415 Irena Leigh Norton - Bar No. 167017 Manijha Kadir - Bar No. 219974 <b>SHULMAN HODGES &amp; BASTIAN LLP</b> 3750 University Avenue, Suite 670 Riverside, California 92501 Telephone: (949) 340-3400 Facsimile: (949) 340-3000			ATTORNEYS (If Known) Unknown		

**RECEIVED**  
  
 NOV 23 2005  
  
CLERK, U.S. BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
BY Deputy Clerk

<b>PARTY</b> (Check one box only)		1 U.S. PLAINTIFF	2 U.S. DEFENDANT	3 U.S. NOT A PARTY	
<b>CAUSE OF ACTION</b> (Write a brief statement of cause of action, including all U.S. Statutes involved)					
Complaint to Recover Money or Property					
<b>NATURE OF SUIT</b> <small>(Check the one most appropriate box only.)</small>					
<input checked="" type="checkbox"/> 454 To recover money or property  436 To determine validity, priority or extent of a lien or other interest in property  458 To obtain approval for the sale of both the interest of the estate and of a co-owner in property  424 To object or to revoke a discharge 11 U.S.C. 727	455 To revoke an order of confirmation of a Chapter 11 or Chapter 13 Plan  426 To determine the dischargeability of a debt 11 U.S.C. §523  434 To obtain an injunction or other equitable relief  457 To subordinate any allowed claim or interest except where such subordination is provided in a plan	458 To obtain a declaratory judgment relating to any of foregoing causes of action  459 To determine a claim or cause of action removed to a bankruptcy court  498 Other (specify)			
<b>ORIGIN OF PROCEEDINGS</b> <small>(Check one box only.)</small>		<input checked="" type="checkbox"/> 1 Original Proceeding	2 Removed Proceeding	4 Reinstated or Reopened	5 Transferred from Another Bankruptcy Court
CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23					
<b>DEMAND</b>	NEAREST THOUSAND \$10M	OTHER RELIEF SOUGHT		JURY DEMAND	
<b>BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES</b>					
NAME OF DEBTOR Four Star Financial Services LLC			BANKRUPTCY CASE NUMBER LA 03-37579 TD		
DISTRICT IN WHICH CASE IS PENDING CENTRAL	DIVISIONAL OFFICE LOS ANGELES	NAME OF JUDGE THOMAS B. DONOVAN			
<b>RELATED ADVERSARY PROCEEDING (IF ANY)</b>					
PLAINTIFF	DEFENDANT			ADVERSARY PROCEEDING NO.	
DISTRICT	DIVISIONAL OFFICE	NAME OF JUDGE			
<b>FILING FEE</b> (Check one box only.)					
FEE ATTACHED		FEE NOT REQUIRED		<input checked="" type="checkbox"/> FEE IS DEFERRED	
DATE November 23, 2005	PRINT NAME Irena Leigh Norton	SIGNATURE OF ATTORNEY (OR PLAINTIFF) SHULMAN HODGES & BASTIAN LLP By: <i>Irena Leigh Norton</i>			



**EXHIBIT 26**

RYAN D. LAPIDUS (Bar No. 196838)  
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Attorneys for Plaintiff Steve Gevirtz

UNITED STATES DISTRICT COURT  
 CENTRAL DISTRICT OF CALIFORNIA  
 CENTRAL DIVISION

2003 AUG - 4 PM 1:17

CLERK OF DISTRICT COURT  
 CENTRAL DISTRICT OF CALIF.  
 LOS ANGELES

FILED

STEVE GEVIRTZ, an individual,

Plaintiff,

vs.

FOUR STAR FINANCIAL  
 SERVICES, LLC, an entity of unknown  
 origin; ANSON, GARRETT & CO., an  
 entity of unknown origin; MARK  
 COHN, an individual; JACK  
 GARRETT, an individual; RONALD  
 ANSON, an individual; and DOES 1  
 through 9,

Defendants.

03 - 5548 RSWL

VBKx

CASE NO.:

COMPLAINT FOR:

- (1) VIOLATIONS OF THE SECURITIES EXCHANGE ACT OF 1934;
- (2) VIOLATIONS OF THE SECURITIES ACT OF 1933;
- (3) VIOLATIONS OF THE RACKETEER INFLUENCED AND CORRUPT ORGANIZATIONS ACT (RICO);
- (4) FRAUD IN THE INDUCEMENT;
- (5) FRAUD AND DECEIT;
- (6) BREACH OF FIDUCIARY DUTY;
- (7) NEGLIGENCE;
- (8) UNFAIR BUSINESS PRACTICES.

DEMAND FOR TRIAL BY JURY

Plaintiff Steve Gevirtz ("Plaintiff") complains and alleges as follows:

**NATURE OF THE ACTION**

1. This is a federal securities action brought by the Plaintiff against defendants Four Star Financial Services, LLC, controlling individuals and tortfeasors, Mark Cohn, Jack Garrett and Ronald Anson, and co-conspirator/aider

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1 and abettor/alter-ego Anson, Garrett & Co. These entities and persons fraudulently  
2 induced Plaintiff to invest in Four Star Financial Services, LLC which Plaintiff was  
3 told orally and in writing via a private placement memorandum and accounting  
4 balance sheets and income statements was a low risk, hedged telecommunications  
5 investment vehicle with equity in excess of \$68 million as of December 31, 2001  
6 and \$77 million as of September 30, 2002. In reality, none of Plaintiff's  
7 \$375,000.00 investment was placed in any telecommunications investment and  
8 Four Star Financial Services, LLC conducted no transactions of this sort  
9 subsequent to the receipt of Plaintiff's funds. Instead, pursuant to their fraudulent  
10 and unlawful scheme, this investment was seized by defendants, and each of them,  
11 through their false representations in connection with debts and obligations  
12 attendant to undisclosed company and personal liabilities, including expenditures  
13 in connection with criminal proceedings (resulting in convictions of defendants  
14 Four Star Financial Services, LLC and Mark Cohn), civil claims and other debts of  
15 the limited liability company which, contrary to prior representations, had  
16 previously suffered a fatal collapse in equity and liquidity. Indeed, it was this  
17 collapse that precipitated the Defendants' desperate fraudulent scheme to obtain  
18 capital in the form of Plaintiff's supposed investment. Plaintiff seeks to recover  
19 damages caused by Defendants' violations of Section 10(b) of the Securities  
20 Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated there  
21 under, violations of Section 20(a) of the Exchange Act, registration violations of  
22 Section 12 of the Securities Act of 1933 (the "Securities Act") and violations of the  
23 Racketeer Influenced and Corrupt Organizations Act ("RICO") as well as damages  
24 and relief attendant to State of California claims including fraud in the inducement  
25 and fraud.

**THE PARTIES**

2. Plaintiff Steve Gevirtz is an individual domiciled in the State of California. Plaintiff was deceived and induced into investing in the Defendants' unlawful securities scheme as more fully described herein.

3. Defendant Four Star Financial Services, LLC ("Four Star") is an entity of unknown origin doing business in this judicial district. Defendant Four Star by and through oral and written representations of its controlling individuals Mark Cohn, Jack Garrett and Ronald Anson and co-conspirator/aider and abettor/alter ego Anson, Garrett & Co. perpetrated the federal securities violations, fraud and other unlawful acts complained of herein.

4. Defendant Anson, Garrett & Co. is an entity of unknown origin doing business in this financial district. At relevant points herein, defendant Anson, Garrett & Co. served as the point of sale for the fraudulent transaction alleged herein, provided false financial statements and other false accounting records used to intentionally deceive and mislead Plaintiff and otherwise conspired with and aided and abetted the other defendants. Defendant Anson, Garrett & Co., sharing the same office and much of the same controlling individuals and other staff as defendant Four Star, making intentional misrepresentations for Four Star on its letterhead, emails and in its offices and acting as the point of sale for the fraudulent transaction alleged herein is an alter-ego and/or co-conspirator and/or aider and abettor of Four Star for purposes of this action.

5. Defendant Mark Cohn is an individual and controlling individual of defendant Four Star.

6. Defendant Jack Garrett is an individual and controlling individual of defendants Four Star and Anson, Garrett & Co.

7. Defendant Ronald Anson is an individual and controlling individual of defendants Four Star and Anson, Garrett & Co.

1           8. The true names and capacities of defendants Does 1 through 9 are  
2 unknown to Plaintiff who therefore sues said defendants by such fictitious names.  
3 Plaintiff will amend this complaint to state the true names and capacities of said  
4 fictitious defendants when they have been ascertained. (Defendants Four Star,  
5 Anson, Garrett & Co., Cohn, Garrett, Anson and Does 1 through 9 will be  
6 collectively referred to herein as the "Defendants.")

7           9. Plaintiff is informed and believes and based thereon alleges that, at all  
8 material times, each of the Defendants was acting in a corporate, parent,  
9 subsidiary, affiliate, supervisor, agency, associate, employee, employer, proprietor,  
10 conspiratorial, alter-ego, co-conspirator and/or other capacity as the parent,  
11 subsidiary, agent, supervisor, affiliate, employer, employee, proprietor, co-  
12 conspirator, aider and abettor and/or alter ego of the other Defendants and with the  
13 permission, consent, knowledge, authorization, ratification and direction of the  
14 other Defendants.

#### 15                           **JURISDICTION AND VENUE**

16           10. This action arises under and pursuant to, *inter alia*, Section 10(b) of  
17 the Exchange Act, Rule 10b-5 promulgated there under by the SEC (17 C.F.R. §  
18 240.10b-5) and Section 20(a) of the Exchange Act as well as other federal claims  
19 including violations of the Securities Act and RICO. This Court has jurisdiction of  
20 this action pursuant to Section 27 of the Exchange Act (15 U.S.C. § 78) and 28  
21 U.S.C. §§ 1331 and 1337. Thus, the Court has federal question jurisdiction  
22 pursuant to 28 U.S.C. § 1338(a) and (b). Additionally, the Court has supplemental  
23 jurisdiction pursuant to 28 U.S.C. § 1367 over the related state law claims.

24           11. Venue is proper in this judicial district pursuant to Section 27 of the  
25 Exchange Act and 28 U.S.C. § 1391(b). Defendants Four Star and Anson, Garrett  
26 & Co. have their headquarters in this district and many of the acts complained of  
27 herein occurred in substantial part in this district.  
28

12. In connection with the acts alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to interstate investment vehicles, the mails, interstate telephonic communications, interstate wire transactions and other electronic communications.

## COMMON ALLEGATIONS

13. On or about July 2002, Defendants provided Plaintiff with a private placement memorandum (the "PPM") offering securities in the form of \$25,000 membership units in Four Star. The PPM specified that the principal types of business conducted by Four Star included accounts receivable financing and collateralized bridge loans primarily to telecommunications industry participants including "Pay Per Call Providers," "Telephone Line Marketing Agents," "Small Telephone Carriers" and "Providers of voicemail, Internet services, and paging and cellular services." As explained in the PPM regarding Four Star's accounts receivables lending activities, "the Company enters into a written financing agreement with the client under which the client assigns its rights in the accounts receivable to the Company in exchange for payment by the Company of cash equal to the face amount of the receivables *less* ..." fees, bad debt reserve of the billing intermediaries and, of course, Four Star's reserve for chargebacks and Four Star's financing fee. As described in the PPM regarding Four Star's bridge loan activities, "The Company applies strict lending standards to its bridge loan criteria: Payment of at least the principal guaranteed by an insurance company with a Best's rating of B or better; Payment of at least the principal amount is guaranteed by a company with a net worth of at least 30 times the amount of the subject obligations; Payment (or purchase of the obligation) is guaranteed by a government agency; Payment is secured by collateral with a value of at least one-and-one half (1.5) times the face value of the subject obligations; Payment is secured by cash or cash equivalents; or The obligation is of, or payment is guaranteed by, a company

1 with a net worth of \$75 million or more.” These statements were material  
2 representations relied upon by Plaintiff in ultimately purchasing units as outlined  
3 herein below.

4 14. These statements, and others, in the PPM were false and made by the  
5 Defendants to Plaintiff knowing that they were false with the intent to deceive and  
6 mislead Plaintiff.

7 15. As specified in the PPM, the membership units were not and would  
8 not be registered under the Securities Act of 1933.

9 16. The PPM purported to outline liabilities, contingencies and legal  
10 claims against Four Star but omitted certain substantial material liabilities,  
11 contingencies and legal issues including without limitation the following:

- 12 • Criminal conduct of Four Star and Mark Cohn ultimately  
13 leading to convictions.
- 14 • On information and belief, knowledge of investigation of  
15 criminal conduct of Four Star and Mark Cohn ultimately  
16 leading to convictions.
- 17 • Devastating cash flow and liquidity issues surrounding Four  
18 Star’s purported equity arising from what was later explained  
19 by Defendants to be a liquidity shortfall related to delays in  
20 securing the cash proceeds from the previous sale of Four  
21 Star’s telephone arbitrage portfolio to an international bank that  
22 were collateralized by certificates of deposit held by an  
23 Argentine bank. (Not only was this purported liquidity  
24 shortfall not disclosed, but the sale of the telephone arbitrage  
25 portfolio was previously expressly mischaracterized by  
26 Defendants to Plaintiff as a significant windfall for Four Star.)
- 27 • That the alleged capital to be received by Four Star through the  
28 purported sale of the telephone arbitrage portfolio and



1 imminent conversion of the certificates of deposit located in  
2 Argentina into cash still only represented about 50% to 60% of  
3 the capital obligations that Four Star has to investors.

4 Consequently, Plaintiff was fraudulently induced to invest in as  
5 instrument that comprised an immediate and significant  
6 liquidity discount to the capital invested, in essence, a sinking  
7 ship. (The last report from Defendants to Plaintiff purports that  
8 the proceeds from the purported Argentine certificates of  
9 deposit have not been recovered and details surrounding the  
10 sale of Four Star's telecommunications portfolio are vague,  
11 including the fact that the definitive legal documentation  
12 memorializing the purported transaction has not been located.)

- 13 • That the new capital received from Plaintiff would not be used  
14 for purposes as expressly explained in the PPM and by the  
15 Defendants to Plaintiff (*i.e.*, hedged telecommunications  
16 investment) and would instead be diverted to meet other non-  
17 disclosed liabilities and liquidity shortfalls.
- 18 • Advances to Four Star by controlling individuals including Ron  
19 Anson to meet mounting nondisclosed Four Star debts,  
20 liabilities and other operating obligations prior to Plaintiff's  
21 investment and fraudulent inducement as explained herein.
- 22 • Various other civil claims and contingent liabilities against  
23 Four Star and its managers.
- 24 • The actual or attempted withdrawal and/or rescission of  
25 numerous other member investors based on newly discovered  
26 liabilities and/or the deteriorating financial condition of Four  
27 Star; and  
28



- That the Four Star investors were forced to begin accruing current interest payments (that had been paid previously on a current basis) due to Four Star's accelerating liquidity problems;
- Insolvency issues involving Four Star, including a study initiated by Qwest Communications as a judgment creditor of Four Star which resulted in an insolvency opinion regarding Four Star.

17. The PPM also provided summary descriptions of management experience and managers, including defendants Anson, Garrett and Cohn, but omitted mention of criminal conduct and/or known investigation into criminal conduct of controlling individual Mark Cohn and Four Star itself or any record of current or previous financial defaults, liabilities and debts of the managers.

18. Because the PPM was dated June 23, 1999, although received in July of 2002 by Plaintiff, Plaintiff conducted further due diligence and met with the defendants, and each of them, who made further material and false representations relied upon by Plaintiff as follows:

- On or about July 2002, Plaintiff met with Jack Garrett and Ronald Anson on behalf of Four Star in the Four Star/Anson, Garrett & Co. offices in Los Angeles who reiterated the principal business investment of Four Star, namely, hedged telecommunications investment vehicles. Because these investments were reportedly hedged and/or secured, defendants Garrett and Anson specified that the risk was minimal and that it was a profitable enterprise for Four Star and its members and represented a conservative investment philosophy. The Four Star principals also expressly represented that a recent sale of a telecommunications arbitrage investment portfolio represented

1 a major gain to the Four Star, equating to over three times the  
2 capital invested and an injection of liquidity exceeding \$150  
3 million.

- 4 • Plaintiff received two balance sheets from Defendants, first a  
5 December 31, 2001 balance sheet which showed a purported  
6 \$68 million in equity and, also, a September 30, 2002 balance  
7 sheet which showed a purported (and, growth enhanced) \$77  
8 million in equity. These balance sheets lacked reasonable  
9 factual basis as known by each of the Defendants.
- 10 • Also on or about September 13, 2002, Plaintiff met with Mark  
11 Cohn in San Francisco who further reiterated (while Plaintiff  
12 took detailed notes) the principal business investment of Four  
13 Star, namely, hedged telecommunications investment arbitrage  
14 vehicles per previous representations. Because these  
15 investments were hedged, defendant Cohn specified that the  
16 risk was minimal, and that it was a profitable enterprise for  
17 Four Star and its members. In that discussion, defendant Cohn  
18 described in detail the mechanics of certain of the international  
19 telephone arbitrage investment vehicles and stated that since the  
20 strategy employed offsetting contracts with international  
21 telecommunications carriers, the primary risk was the time  
22 required to collect receivables, since the long distance carriers  
23 were sometimes slow and inefficient (albeit credit-worthy) in  
24 paying their obligations.

25 19. These statements, and others, made by Defendants were false and  
26 made by the Defendants to Plaintiff knowing that they were false with the intent to  
27 deceive and mislead Plaintiff.  
28

1           20. Defendants, and each of them, through these aforementioned meetings  
2 and false financial disclosures omitted and failed to inform Plaintiff of the  
3 following:

- 4           • Criminal conduct of Four Star and Mark Cohn ultimately  
5           leading to convictions.
- 6           • On information and belief, knowledge of investigation of  
7           criminal conduct of Four Star and Mark Cohn ultimately  
8           leading to convictions.
- 9           • Devastating cash flow and liquidity issues surrounding Four  
10          Star's purported equity arising from what was later explained  
11          by Defendants to be a liquidity shortfall related to delays in  
12          securing the cash proceeds from the previous sale of Four  
13          Star's telephone arbitrage portfolio to an international bank that  
14          were collateralized by certificates of deposit held by an  
15          Argentine bank. (Not only was this purported liquidity  
16          shortfall not disclosed, but the sale of the telephone arbitrage  
17          portfolio was previously expressly mischaracterized by  
18          Defendants to Plaintiff as a significant windfall for Four Star.)
- 19          • That the alleged capital to be received by Four Star through the  
20          purported sale of the telephone arbitrage portfolio and  
21          imminent conversion of the certificates of deposit located in  
22          Argentina into cash still only represented about 50% to 60% of  
23          the capital obligations that Four Star has to investors.  
24          Consequently, Plaintiff was fraudulently induced to invest in as  
25          instrument that comprised an immediate and significant  
26          liquidity discount to the capital invested, in essence, a sinking  
27          ship. (The last report from Defendants to Plaintiff purports that  
28          the proceeds from the purported Argentine certificates of

1 deposit have not been recovered and details surrounding the  
2 sale of Four Star's telecommunications portfolio are vague,  
3 including the fact that the definitive legal documentation  
4 memorializing the purported transaction has not been located.)

- 5 • That the new capital received from Plaintiff would not be used  
6 for purposes as expressly explained in the PPM and by the  
7 Defendants to Plaintiff (*i.e.*, hedged and secured  
8 telecommunications investment) and would instead be diverted  
9 to meet other non-disclosed liabilities and liquidity shortfalls.
  - 10 • Advances to Four Star by controlling individuals including Ron  
11 Anson to meet mounting nondisclosed Four Star debts,  
12 liabilities and other operating obligations prior to Plaintiff's  
13 investment and fraudulent inducement as explained herein.
  - 14 • Various other civil claims and contingent liabilities against  
15 Four Star and its managers.
  - 16 • The actual or attempted withdrawal and/or rescission of  
17 numerous other member investors based on newly discovered  
18 liabilities and/or the deteriorating financial condition of Four  
19 Star; and
  - 20 • That the Four Star investors were forced to begin accruing  
21 current interest payments (that had been paid previously on a  
22 current basis) due to Four Star's accelerating liquidity  
23 problems;
  - 24 • Insolvency issues involving Four Star, including a study  
25 initiated by Qwest Communications as a judgment creditor of  
26 Four Star which resulted in an insolvency opinion regarding  
27 Four Star.
- 28

1           21. Based on these material representations, including representations  
2 going to the very essence of what the investment was supposedly about (namely,  
3 telecommunications investment vehicles) and false balance sheet and/or financial  
4 statement information provided by Anson, Garrett & Co., Plaintiff relied upon  
5 these representations and was induced to invest \$375,000.00 in Four Star. A  
6 subscription agreement and operating agreement documents were provided to  
7 Plaintiff on or about October 2002 by Rita Fernandez of Anson, Garrett & Co.  
8 along with wiring instructions. Plaintiff executed these agreements, wired to  
9 Defendants his \$375,000.00 and was ultimately accepted into Four Star later that  
10 month and received documentation of his securities investment. These units  
11 purchased by Plaintiff are securities as defined by applicable federal law.

12           22. In reality, Defendants' numerous representations were false. Not only  
13 was none of Plaintiff's investment deployed into any telecommunications  
14 investment vehicle, Four Star did not conduct any further business of this sort upon  
15 receipt of Plaintiff's investment and, instead, took the funds pursuant to  
16 Defendants' fraudulent and unlawful scheme to meet mounting non-disclosed  
17 debts and liabilities (including criminal liabilities) of Four Star and certain of its  
18 controlling individuals. Unbeknownst to Plaintiff, Four Star was in financial  
19 disarray at the time Defendants fraudulently induced Plaintiff to invest his money  
20 and Plaintiff's money was ostensibly used to temporarily fund liquidity shortfalls  
21 and/or attempt to abate substantial non-disclosed liabilities. In essence,  
22 Defendants robbed Peter (Plaintiff) to pay Paul.

23           23. Defendants, and each of them, have to this date continued their  
24 misrepresentations and attempted cover-up of their intentional material  
25 misrepresentations and omissions via inaccurate and incomplete communications  
26 to Plaintiff concerning criminal proceedings and the locations and liquidity of the  
27 sums traced to Plaintiff's investment.  
28

24. Defendants' actions as alleged herein constitute violations of the Exchange Act, the Securities Act, RICO and other laws as specified herein below.

**FIRST CAUSE OF ACTION**

**VIOLATIONS OF SECTIONS 20(a) AND 10(b) EXCHANGE ACT, RULE 10b-5 PROMULGATED THEREUNDER**

25. Plaintiff incorporates herein by reference paragraphs 1 - 24 of the Complaint.

26. Defendants, and each of them, carried out a plan, scheme and course of conduct that was intended to and did deceive Plaintiff into purchasing securities as alleged herein. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

27. These Defendants, and each of them, employed devices, schemes and artifices to defraud, made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading, and engaged in acts, practices and a course of business which operated as a fraud and deceit upon Plaintiff who purchased units of Four Star based on these representations and omissions, including misrepresentations regarding the purported telecommunications nature of the securities and contingent liabilities in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated there under.

28. Defendants' material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of inducing Plaintiff to purchase units of the Four Star security. The Defendants, and each of them, had no reasonable basis for their many misrepresentations and, indeed, based on their abject and demonstrable falsity intentionally used them in their scheme to intentionally defraud Plaintiff. Scienter is manifest. The Defendants, and each of them, also failed to disclose material, adverse information about Four Star, its financial condition and its controlling individuals which they possessed as part of their scheme to intentionally defraud Plaintiff.



1           29. As a result of the dissemination of the materially false and misleading  
2 information and failure to disclose material facts as set forth herein, Four Star  
3 securities were falsely represented to be an active telecommunications investment  
4 vehicle when, in fact, it was not. Likewise, material liabilities were not disclosed  
5 as herein alleged. In ignorance of these facts and reasonably relying directly upon  
6 the Defendants' false and misleading statements and in the absence of material  
7 adverse information that was known to Defendants but not disclosed to Plaintiff,  
8 Plaintiff purchased \$375,000.00 worth of units of Four Star thinking that the  
9 security was a hedged telecommunications investment vehicle when it was, in  
10 point of fact, not and thinking that certain material liabilities not disclosed did not  
11 exist.

12           30. At the time of said misrepresentations and omissions, Plaintiff was  
13 ignorant of their falsity and believed them to be true. Had Plaintiff known of the  
14 omitted material facts – including that Four Star was not actually using his  
15 investment in connection with any hedged telecommunications investment vehicle  
16 and was, contrary to financial statements and previous representations, in dire  
17 financial straights – Plaintiff would not have purchased or otherwise acquired his  
18 units of Four Star at all.

19           31. Plaintiff was injured because the risks that materialized were risks of  
20 which he was unaware as a result of the Defendants' misrepresentations, omissions  
21 and other fraudulent conduct alleged herein. Absent Defendants' fraudulent  
22 conduct, Plaintiff would not have been injured.

23           32. By virtue of the foregoing, Defendants each violated Section 10(b) of  
24 the Exchange Act and Rule 10b-5 promulgated there under.

25           33. As detailed above, defendants Anson, Garrett, Cohn and Anson,  
26 Garrett & Co. were controlling persons of defendant Four Star within the meaning  
27 of Section 20(a) of Exchange Act. These defendants were controlling persons of  
28 Four Star because each had the influence over Four Star to cause and did cause

1 Four Star to engage in the wrongful conduct complained of herein and although  
2 each had the power to have prevented Four Star from engaging in the unlawful  
3 conduct alleged herein, it purposely and intentionally did not use that power to do  
4 so. Accordingly, as controlling persons of Four Star, each of these other  
5 defendants is liable to the same extent as Four Star pursuant to Section 20(a).

6 34. As a direct and proximate result of Defendants' wrongful conduct,  
7 Plaintiff suffered damages.

## 8 **SECOND CAUSE OF ACTION**

### 9 **VIOLATIONS OF THE SECURITIES ACT OF 1933**

10 35. Plaintiff incorporates herein by reference paragraphs 1 - 34 of the  
11 Complaint.

12 36. Defendants violated Section 12 of the Securities Act of 1933 because  
13 they marketed and sold to Plaintiff a security using the mails and other instruments  
14 of interstate commerce, using a prospectus (including the PPM and other written  
15 communications) without filing a registration or, on information and belief, no  
16 falling within a lawful safe harbor.

17 37. This lack of registration deprived Plaintiff of all the protections and  
18 oversight afforded him pursuant to federal securities regulations and agencies.

19 38. Accordingly, Plaintiff has the right of rescission with respect to the  
20 \$375,000.00 he invested and seeks such relief pursuant to the Securities Act.

## 21 **THIRD CAUSE OF ACTION**

### 22 **VIOLATIONS OF THE RACKETEER INFLUENCED AND CORRUPT** 23 **ORGANIZATIONS ACT (RICO)**

24 39. Plaintiff incorporates herein by reference paragraphs 1 - 38 of the  
25 Complaint.

26 40. Both Four Star and Anson, Garrett & Co. were and each are a  
27 business enterprise as defined by 18 USC §1961(4), which such section is part of  
28 that federal act commonly known as Racketeer Influenced and Corrupt



1 Organization Act ("RICO"). Each of these enterprises was dominated and  
2 controlled by defendants Anson, Cohn, Garrett and Does 1 – 9.

3 41. Plaintiff's investment as herein alleged was accomplished by each of  
4 the defendants engaging in racketeering activity in that:

- 5 • As provided for in 18 USC §1961(1)(D), the sale and offer to  
6 sell to Plaintiff securities was proximately caused and  
7 accompanied by fraud as alleged herein, and in violation of  
8 the Exchange Act.
- 9 • The sale and offer to sell to Plaintiff securities was made  
10 pursuant to a related and non-disclosed criminal enterprise for  
11 which defendants Four Star and Cohn have been convicted.
- 12 • the offering for sale and sale of the aforementioned securities  
13 required qualification or a permit under the law of the State of  
14 California and registration with the Securities and Exchange  
15 Commission under the law of the United States. However, on  
16 information and belief, neither the offer nor sale of any  
17 security purchased by plaintiff herein was qualified by the  
18 Commissioner of Corporations of the State of California, nor  
19 by the Securities & Exchange Commission, and thus, the  
20 offer to sell and the sale of the securities violated both state  
21 and federal securities law as alleged herein.

22 42. The sale and offer to sell such securities affected interstate commerce  
23 in that each such security represented a fractional interest in business enterprises  
24 outside of the State of California. The offer to sell, fraudulent misrepresentations  
25 and failures and omissions by Defendants as alleged in this Complaint were  
26 perpetrated, in part, through the use of public telephone lines, email, financial wire  
27 transmissions and the mail.

1           43. Thus, these fraudulent misrepresentations and failures and omissions  
2 to state and disclose to Plaintiffs material facts with respect to his investment as  
3 alleged in this Complaint constitutes wire fraud under 18 USC §1343. The  
4 Defendants also committed mail fraud as defined in 18 USC §1341 in that each  
5 offer to sell and each sale of each investment unit to Plaintiff as alleged herein was  
6 a device which used the United States Mails and/or other instruments of interstate  
7 commerce to perpetrate the fraudulent scheme as alleged in this Complaint. The  
8 Defendants have engaged in the aforementioned racketeering activities from at  
9 least July 2002 (when Plaintiff first came in contact with Defendants) to present  
10 and have actively participated in the aforementioned criminal conduct through  
11 soliciting, organizing and receiving money for use by each of the aforementioned  
12 enterprises.

13           44. On information and belief, Defendants continue to solicit and receive  
14 money for this fraudulent scheme and/or continue to deceive and defraud  
15 remaining investors, including Plaintiff, in violation of securities law of the State  
16 of California and the federal securities laws, and in violation of laws against wire  
17 fraud and mail fraud.

18           45. There is a continuity in such racketeering activity in that from at least  
19 July 2002 to the present, Defendants have solicited clients including Plaintiff,  
20 raised money, formed enterprises, and dominated and controlled such enterprises  
21 in an illegal manner as alleged in this Complaint with the victims of this  
22 racketeering activity continuing to be clients and supposed fiduciaries.  
23 Defendants, by virtue of continuing false representations and cover-ups of  
24 liabilities and criminal behavior continue to engage in such unlawful conduct and it  
25 is likely that they will continue to engage in such unlawful conduct in the future.

26           46. The Defendants, and each of them, benefited directly and indirectly  
27 from the aforementioned pattern of racketeering activity in that they received, used  
28 or invested the money derived from the pattern of racketeering activity for their

1 own use and benefit and to the detriment of Plaintiff and others. By remaining in  
2 control of the money received from Plaintiff and others, Defendants each continue  
3 to benefit from this racketeering activity.

4 47. Plaintiff was directly injured by the wrongful acts of the Defendants,  
5 and each of them, in his business and property by reason of the violation of 18  
6 USC §1962 in that defendants, and each of them:

- 7 • in violation of 18 USC §1962, received income derived,  
8 directly or indirectly, from the pattern of racketeering activity  
9 which was used to invest, directly or indirectly, or some part  
10 of such income, or the proceeds of such income, in the  
11 acquisition of interests in, or the establishment or operation  
12 of, enterprises which engaged in, or affected, interstate  
13 commerce as herein alleged;
- 14 • through the pattern of racketeering activity as herein alleged,  
15 directly or indirectly, acquired or maintained an interest in or  
16 control of Four Star and/or Anson, Garrett & Co. which  
17 engaged in, or activities which affected, interstate commerce;  
18 and
- 19 • through a pattern of racketeering activity, engaged in  
20 activities which involved or affected interstate commerce and  
21 participated, either directly or indirectly, in the conduct of  
22 such enterprises.

23 48. Plaintiff was directly injured by the wrongful acts of the Defendants,  
24 and each of them, by reason of the violations of 18 USC §1962 and by virtue of the  
25 wrongful acts committed by the Defendants, and each of them, as herein alleged.  
26 Said wrongful acts proximately damaged Plaintiff, as herein alleged, in the sum of  
27 at least \$375,000.00, plus additional sums according to proof.  
28

1           49. Plaintiff is entitled to a judgment in said amount together with interest  
 2 thereon at the maximum rate from the date the investment was made until present  
 3 at the maximum rate, and is further entitled under RICO to:

- 4           • to have the actual damages trebled;
- 5           • to have a constructive trust imposed upon all proceeds
- 6           derived by the Defendants, and each of them, as a result of
- 7           their unlawful conduct as provided for in 18 USC §1961 et
- 8           seq.;
- 9           • to recover his cost of investigation of the fraudulent scheme
- 10          and costs of litigation, expert costs and attorney's fees
- 11          incurred herein;
- 12          • the forfeiture by the Defendants, and each of them, of all
- 13          their wrongfully acquired assets and income which can be
- 14          traced from the proceeds of said wrongful acts and conduct
- 15          as herein alleged.

#### 16                           **FOURTH CAUSE OF ACTION**

#### 17                           **FRAUD IN THE INDUCEMENT**

18           50. Plaintiff incorporates herein by reference paragraphs 1 - 49 of the  
 19 Complaint.

20           51. The Defendants, and each of them, as detailed herein made certain  
 21 wrongful and false representations and omissions to Plaintiff with the intent to  
 22 induce Plaintiff into entering into their investment scheme, sign a subscription and  
 23 operating agreement and, ultimately wire to Defendants \$375,000.00.

24           52. At the time of making these representations and taking these actions,  
 25 the Defendants knew or should have known such representations were false and  
 26 misleading.

27           53. The Defendants, and each of them, wrongfully profited, and continue  
 28 to profit, from these fraudulent and/or deceptive actions.

1           54. Plaintiff reasonably relied on the aforementioned representations and  
2 omissions of Defendants in entering into the investment relationship.

3           55. As a direct and proximate result of these wrongful and false  
4 representations and omissions and Plaintiff's reliance thereon, Plaintiff was  
5 induced to enter into an unlawful investment scheme and has been damaged in an  
6 amount according to proof at trial.

7           56. In doing the acts herein alleged, the Defendants, and each of them,  
8 were personally and individually guilty of oppression, malice, fraud and despicable  
9 conduct directed to Plaintiff in conscious disregard of Plaintiff's rights. The acts  
10 alleged herein were known to, authorized and ratified by the Defendants, and each  
11 of them. Plaintiff is thus entitled to recover punitive damages from the  
12 Defendants, and each of them, in an amount according to proof.

13                           **FIFTH CAUSE OF ACTION**

14                           **FRAUD AND DECEIPT**

15           57. Plaintiff incorporates herein by reference paragraphs 1 - 56 of the  
16 Complaint.

17           58. The Defendants, and each of them, as alleged herein made certain  
18 wrongful and false representations and omissions to Plaintiff in conjunction with  
19 their herein described fraudulent scheme.

20           59. At the time of making these representations and taking these actions,  
21 the Defendants knew or should have known such representations were false.

22           60. The Defendants, and each of them, wrongfully profited, and continue  
23 to profit, from these fraudulent and/or deceptive actions.

24           61. Plaintiff reasonably relied on the aforementioned representations and  
25 omissions of Defendants.

26           62. As a direct and proximate result of these wrongful and false  
27 representations and omissions and Plaintiff's reliance thereon, Plaintiff has been  
28 damaged in an amount according to proof at trial.

63. In doing the acts herein alleged, the Defendants, and each of them, were personally and individually guilty of oppression, malice, fraud and despicable conduct directed to Plaintiff in conscious disregard of Plaintiff's rights. The acts alleged herein were known to, authorized and ratified by the Defendants, and each of them. Plaintiff is thus entitled to recover punitive damages from the Defendants, and each of them, in an amount according to proof.

**SIXTH CAUSE OF ACTION**

**BREACH OF FIDUCIARY DUTIES**

64. Plaintiff incorporates herein by reference paragraphs 1 - 63 of the Complaint.

65. As managers and officers of Four Star, defendants Anson, Garrett and Cohn owed member Plaintiff fiduciary duties at relevant times. As a professional accounting firm providing account balance statement information to Plaintiff and to Four Star, defendant Anson, Garrett & Co. (and its controlling persons defendants Anson and Garrett) also owed Plaintiff fiduciary duties at relevant times.

66. Based on these defendants' misrepresentations, deceptive statements and other intentional conduct to the detriment of Plaintiff, as herein alleged in detail, these defendants breached their fiduciary duties to Plaintiff.

67. As a direct and proximate result of these breaches of fiduciary duty, Plaintiff has been damaged in an amount according to proof at trial.

68. In doing the acts herein alleged, the Defendants Anson, Garrett, Cohn and Anson, Garrett & Co. were personally and individually guilty of oppression, malice, fraud and despicable conduct directed to Plaintiff in conscious disregard of Plaintiff's rights. The acts alleged herein were known to, authorized and ratified by each of these defendants. Plaintiff is thus entitled to recover punitive damages from each of these defendants in an amount according to proof.



## NEGLIGENCE

**EIGHTH CAUSE OF ACTION**  
**UNFAIR BUSINESS PRACTICES IN VIOLATION OF CALIFORNIA**  
**BUSINESS AND PROFESSIONS CODE § 17200**

75. Plaintiff incorporates herein by reference paragraphs 1 - 74 of the Complaint.

76. Beginning at an exact date unknown to Plaintiff but at least since July 2002, the Defendants have committed acts of unfair business practices, as defined by Business and Professions Code § 17200 *et seq.*, by engaging in, among other unfair and unlawful practices, practices in violation of federal securities laws and fraudulent practices as alleged herein.

77. These acts and practices violate Business and Professions Code § 17200 because they are unlawful pursuant to federal and California regulations including the Exchange Act, the Securities Act and RICO and are unfair, fraudulent and deceptive.

78. The unlawful, unfair and/or fraudulent business practices of Defendants thus constitute unlawful business acts or practices within the meaning of Business and Professions Code § 17200.

79. As a direct and proximate result of the aforementioned acts, the Defendants received and continue to hold ill-gotten gains resulting from their herein alleged conduct which properly belongs to Plaintiff. Plaintiff, accordingly, seeks restitution of all such gains and injunctive relief halting Defendants' unlawful business enterprise.

**PRAYER**

Plaintiff Steve Gevirtz prays for relief as follows:

1. For the First Cause of Action: (1) a finding that Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated there under by their acts and omissions as alleged in this Complaint; (2) an award of damages with interest therein; (3) an order rescinding the



1 fraudulently induced transaction and returning Plaintiff his \$375,000  
2 plus interest; (4) an award of costs and expenses of this action,  
3 including reasonable attorneys' fees, expert fees and other costs and  
4 disbursements; and (5) any further relief as may be just and proper  
5 under the circumstances.

6 2. For the Second Cause of Action: (1) a finding that Defendants  
7 unlawfully failed to register the securities ultimately purchased by  
8 Plaintiff; (2) an award of \$375,000.00 plus interest representing  
9 rescission of Plaintiff's investment; (3) an award of costs and  
10 expenses of this action, including reasonable attorneys' fees, expert  
11 fees and other costs and disbursements; and (4) any further relief as  
12 may be just and proper under the circumstances.

13 3. For the Third Cause of Action: (1) damages under RICO in the  
14 amount of at least \$375,000.00 and that said sum should be trebled as  
15 provided in RICO, plus additional sums according to proof at time of  
16 trial, together with interest thereon at the maximum rate from the date  
17 each investment was made; (2) that a constructive trust be imposed on  
18 all the proceeds derived from the racketeering activities and unlawful  
19 conduct of the Defendants, and each of them; (3) an injunction halting  
20 Defendants' unlawful enterprise; (4) for all costs of investigation of  
21 the racketeering activities and for all litigation costs attorney's fees  
22 incurred herein; and for a forfeiture by the Defendants, and each of  
23 them, of their wrongfully acquired assets and income under 18 USC  
24 §1964(a) and (c); and (5) any further relief as may be just and proper  
25 under the circumstances.

26 4. For the Fourth Cause of Action: (1) damages according to proof; (2)  
27 punitive damages; (3) a rescission order; (4) interest at the maximum  
28

1 legal rate; and (5) any further relief as may be just and proper under  
2 the circumstances.

3 5. For the Fifth Cause of Action: (1) damages according to proof; (2)  
4 punitive damages; (3) interest at the maximum legal rate; and (4) any  
5 further relief as may be just and proper under the circumstances.

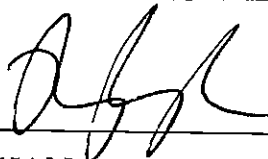
6 6. For the Sixth Cause of Action: (1) damages according to proof; (2)  
7 punitive damages; (3) interest at the maximum legal rate; and (4) any  
8 further relief as may be just and proper under the circumstances.

9 7. For the Seventh Cause of Action: (1) damages according to proof; (2)  
10 punitive damages; (3) interest at the maximum legal rate; and (4) any  
11 further relief as may be just and proper under the circumstances.

12 8. For the Eighth Case of Action: (1) restitution of unjust gains; (2)  
13 rescission; (3) injunctive relief halting Defendants' unlawful actions;  
14 (4) attorneys fees and costs pursuant to Business and Professions  
15 Code § 17200 et seq.

16  
17 DATED: August 4, 2003

THE LAW OFFICES OF RYAN D. LAPIDUS  
A PROFESSIONAL LAW CORPORATION

18  
19  
20 

21 RYAN D. LAPIDUS

22 Attorneys for Plaintiff Steve Gevirtz  
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**DEMAND FOR TRIAL BY JURY**

Plaintiff Steve Gevirtz hereby demands a trial by jury.

DATED: August 4, 2003

THE LAW OFFICES OF RYAN D. LAPIDUS  
A PROFESSIONAL LAW CORPORATION



RYAN D. LAPIDUS

Attorneys for Plaintiff Steve Gevirtz